

## **ANALYSIS OF 2003 LEGISLATIVE PROPOSAL SUGGESTION 3-5**

**Prepared by Sales and Use Tax Department**

**Add Article 2.5 (commencing with Section 7076.1) to the Sales and Use Tax Law to reauthorize the Board to implement a managed audit program.**

**Source: Honorable John Chiang**

### **Pros**

- More efficient use of audit resources and increased revenues to the state.
- Allows for flexibility in administration of the program.
- Provides a method of educating the taxpayer about California sales and use tax laws thereby increasing voluntary compliance.
- Due to the economic incentive of interest computed at one-half the normal statutory rate, more taxpayer and practitioners may be more likely to provide information to the auditor relating to compliance problem areas.
- Makes this audit option available to substantially more taxpayers than the previous managed audit program.
- Provides equal Section 6596 protection to taxpayers participating in managed audits.

### **Cons**

- Loss of one-half statutory interest but should be offset by audit hour savings.